

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF)	CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)	DOCKET NO. 161200480
COLORADO OIL AND GAS CONSERVATION)	TYPE: ENFORCEMENT
COMMISSION BY HUNTER RIDGE ENERGY)	ORDER NO. 1V-641
SERVICES LLC, GARFIELD COUNTY, COLORADO)	

ADMINISTRATIVE ORDER BY CONSENT

(Pursuant to Rule 522.e.(1) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

FINDINGS

1. Hunter Ridge Energy Services LLC ("Hunter Ridge") (Operator No. 10442) was the operator of a six-inch liquids pipeline located at NE1/4 NE1/4 Section 27, Township 4 South, Range 96 West (Spill Release Point ID: 446199) ("Pipeline") in a remote area of Garfield County, Colorado.

2. The Pipeline was part of a pipeline system that collected and conveyed condensate, gas, and water from multiple central delivery points ("CDPs") to common sales and disposal sites downstream. Until November 2015, the Pipeline contained LACT-separated condensate containing less than 2% produced water from the K22 CDP. Following closure of the M23 pit (Facility No. 414395) in November 2015, produced water was introduced into the Pipeline from the A27 CDP which combined with the LACT-separated condensate from the K22. Due to topography, low flows from the A27 CDP, and the pressure of the LACT-separated condensate from the K22 CDP, produced water remained in the Pipeline between A27 CDP pumping events. Hunter Ridge employed a combination of practices to maintain the integrity of the pipeline system (e.g., visual inspection, supervisory control and data acquisition (SCADA) system monitoring), including the Pipeline.

3. On June 14, 2016, Hunter Ridge visually identified the presence of hydrocarbons during routine sampling of a spring, located approximately 4,200 feet north of the Pipeline. Hunter Ridge promptly shut-in oil and gas wells and CDPs (including the A27 CDP) that could potentially be the source of the hydrocarbons, notified other operators with pipeline operations in the immediate area, and began containment and cleanup operations. Within a few hours, Hunter Ridge identified the Pipeline as the source of the hydrocarbons and blocked, bled, and isolated the Pipeline, thereby eliminating further release of hydrocarbons into the environment. Hunter Ridge also notified the Colorado Oil & Gas Conservation Commission ("COGCC"), the affected landowners, Garfield and Rio Blanco Counties, the Colorado Department of Public Health and Environment and the National Response Center. Upon initial investigation, Hunter Ridge determined impacted spring water had flowed from the spring approximately one mile down a natural drainage to a stock pond. Surface staining was

observed along the drainage, and vegetation within the immediate proximity of surface water flow appeared stressed. Leakage around the stock pond headgate was evidenced by stressed vegetation observed downstream for several hundred feet to the point at which surface flow ceased.

4. On June 15, 2016, COGCC Staff inspected the location of the release (Document No. 671000414).

5. On June 15, 2016, Hunter Ridge filed a Form 19, Spill/Release Report, and on June 24, 2016, Hunter Ridge filed a Supplemental Form 19 (Documents No. 401064094 & 401068217). The Form 19 filings indicated that the release had impacted soil, groundwater, surface water, and a dry drainage feature, and that Hunter Ridge had begun initial investigation and remediation.

6. On June 27, 2016, Hunter Ridge submitted a Form 27, Site Investigation and Remediation Workplan, and on July 28, 2016 Hunter Ridge submitted an initial Remediation Work Plan (Documents No. 2526557 & 2526684). These documents indicated that the release was under investigation, that initial remediation was continuing, and that a long-term remediation plan would be submitted subsequently.

7. Since June 14, 2016, Hunter Ridge has undertaken the following investigative and remedial work regarding the release:

- a. Between June 14, 2016 and June 28, 2016, Hunter Ridge deployed absorbent booms around and below the seep and skimmed and collected condensate from the stock pond. Hunter Ridge also tested nearby water wells, collected surface and groundwater samples, and offered replacement water to potentially-affected landowners. Although groundwater impacts were realized within the vicinity of the release, there was no impact to private domestic water supply wells;
- b. Between June 28, 2016 and October 4, 2016, Hunter Ridge installed 25 temporary groundwater monitoring wells, obtained 31 surface water samples, undertook other work to delineate the nature and extent of the release, and submitted a Site Assessment Report. Hunter Ridge also installed an interim surface water collection and treatment system to collect water near the spring and pass it through an oil/water separation system and an air stripping unit before returning it to the drainage. Hunter Ridge also replaced the headgate to eliminate surface discharge from the stock pond;
- c. Between October 4, 2016 and December 31, 2016, Hunter Ridge installed 20 additional temporary monitoring wells and undertook slug testing and additional water sampling. Hunter Ridge also initiated design and construction of a permanent surface water collection and treatment system designed to operate year-round and eliminate impacted water discharge to the drainage area, conducted an oil recovery pilot study, and

submitted a Supplemental Site Assessment Report and a Phase Three Site Assessment Report;

- d. Since January 1, 2017, Hunter Ridge has installed a surface water collection, treatment and disposal system, which collects all potentially impacted surface water emitting from the spring(s) into a vault and pumps it to an oil separation system at which point separated E&P waste is pumped to an injection well (API No. 05-045-11293) for disposal. Hunter Ridge has also submitted an Interim Oil Recovery Plan (Document No. 2527651), a Sediment and Pond Remediation Plan (Document No. 401174445), a Groundwater Remediation Plan (Document No. 401271075), and two Quarterly Groundwater Monitoring Reports (Documents No. 401270036 & 401372571); and
- e. Hunter Ridge has undertaken additional work that is described in Monthly Progress Reports filed with the COGCC Staff (Documents No. 401120096, 401140140, 401157972, 401174445, 401198367, 401221432, 401247923, 401268530, 401296646, 401328554, & 401361867).

8. Hunter Ridge made a prompt, effective, and prudent response following discovery of the release.

9. As of August 1, 2017, approximately 1,195 barrels of condensate have been recovered from the release (Document No. 401361867). The release affected soil, waters of the state, and vegetation but did not affect potable use wells; nor did it cause wildlife or livestock mortality or crop damage.

10. As of August 1, 2017, Hunter Ridge has spent approximately \$2,700,000 on the work described in Paragraph 7. Hunter Ridge expects to spend a significant additional amount on the future remedial work.

11. On September 16, 2016, COGCC Staff issued a Notice of Alleged Violation ("NOAV") (Document No. 401105510) to Hunter Ridge citing a violation of Rule 907.a. (Management of E&P Waste, General Requirements) of the COGCC Rules of Practice and Procedure, 2 CCR 404-1 ("Rule" or "Rules") for failure to manage E&P waste in a manner protective of waters of the state, among other violations.

12. On October 28, 2016, Hunter Ridge answered the NOAV (Document No. 401139270). Hunter Ridge explained that bacterial corrosion in the Pipeline, secondary to the introduction of produced water into the Pipeline, caused the release, but denied that the release violated the cited Rules and asserted that the alleged violations are duplicative. On November 22, 2016, Hunter Ridge also provided proof of membership with Colorado 811, a written plan for avoiding future leaks, and a Supplemental Site Assessment as required by the NOAV (Documents No. 401137725 & 401139270).

13. The duration of the release is not known. Due to the highly complex nature of the hydrogeologic system any estimate of the release duration would depend upon a number of factors and considerations that could be subject to disagreement. For settlement purposes, the COGCC Staff and Hunter Ridge have agreed a duration of 60 days is reasonable given information known to the parties at the time of settlement.

14. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff consolidated the alleged violations and calculated a penalty of \$222,500. The penalty calculation is based on the following:

Rule	Class, Impact	Base Penalty	Start Date	End Date	Days	Duration Matrix	Total Penalty
907.a	Class 2, Major	\$10,000	4/15/2016	6/14/2016	60	Y	\$222,500

- a. Start date agreed to be 60 days before the release discovery;
- b. Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy; and
- c. No pattern of violation, gross negligence, or knowing and willful misconduct.

15. Pursuant to the Memorandum of Agreement between the COGCC and the Colorado Water Quality Control Division ("WQCD"), adopted on February 15, 2000, WQCD has reviewed the terms of this agreement, and the WQCD has advised the COGCC that the penalty assessment and other agreement terms meet WQCD requirements. Accordingly, the WQCD agrees that it will not pursue any additional penalty for the spill/release to surface waters or associated operator action described in this AOC. (See Exhibit 1, Letter from WQCD, dated September 6, 2017.)

AGREEMENT

NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e.(1) and the COGCC Enforcement Guidance and Penalty Policy, the Director and Hunter Ridge jointly request that the Commission approve the Order set forth below.

Hunter Ridge agrees it will remain responsible for compliance with the below Order, notwithstanding any transfer of ownership of the Pipeline or associated facilities.

Hunter Ridge further agrees to this AOC only for the purpose of expeditiously resolving this matter without a contested hearing. Hunter Ridge reserves the right to contest the findings of this AOC in any proceeding before any agency, court, or other tribunal, except for a proceeding to enforce the terms of this AOC. The findings and any action undertaken by Hunter Ridge pursuant to this AOC shall not constitute evidence of fault or liability by Hunter Ridge with respect to any third-party claim against Hunter Ridge.

RECOMMENDED this 7th day of September, 2017.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 
David A. Beckstrom, Asst. Attorney General

AGREED TO AND ACCEPTED this 7th day of September, 2017.

HUNTER RIDGE ENERGY SERVICES LLC

By 
Signature of Authorized Company Representative

JULIA CARTER, REGULATORY MANAGER
Print Signatory Name and Title

ORDER

HAVING CONSIDERED the Findings and the Agreement between the Director and Hunter Ridge, the COMMISSION ORDERS:

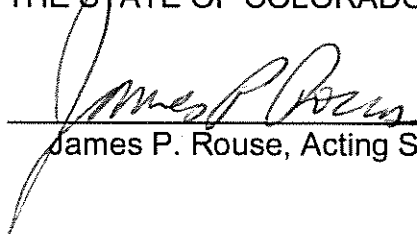
1. Hunter Ridge is found in violation of Rule 907.a, as described above.
2. Hunter Ridge is assessed a penalty of \$222,500 for this violation.
3. Hunter Ridge will pay the entire penalty within 30 days after this Order is mailed by the Commission.
4. Hunter Ridge will implement the Groundwater Remediation Plan (Document No. 401269794) subject to the conditions of approval established by the COGCC Staff (Document No. 2495790) (collectively, the "Approved Site Investigation and Remediation Plan").
5. Within 30 days after Hunter Ridge submits its initial assessment of the effectiveness of the measures taken, quarterly for the first year and then semiannually thereafter, Hunter Ridge and the COGCC Staff will meet to discuss whether modifications to the Approved Site Investigation and Remediation Plan are appropriate for free phase and dissolved hydrocarbon removal. Unless the COGCC Staff and Hunter Ridge otherwise agree, all modifications will be promptly memorialized through the submittal and approval of an updated version of the Groundwater Remediation Plan; upon approval, the updated version of the Groundwater Remediation Plan will constitute the Approved Site Investigation and Remediation Plan pending any further modification. All modifications to the Approved Site Investigation and Remediation Plan must:
 - a. Be submitted on a COGCC eForm 27 for prior approval;
 - b. Reflect the hydrologic, geologic, topographic, access, and other characteristics and limitations of the impact area as well as any variations in those characteristics;
 - c. Take into consideration cost effectiveness and technical feasibility as contemplated by C.R.S. § 34-60-106(2)(d);
 - d. Be based upon sound science and supported by appropriate factual data, including bench/pilot scale testing where the technical feasibility or cost effectiveness of a proposed modification cannot be established without such testing; and
 - e. Be expected to achieve reasonable and demonstrable progress in remediating the release and satisfying the Table 910 standards.

6. The Approved Site Investigation and Remediation Plan and this Order will terminate when Hunter Ridge demonstrates that the release has been remediated to all applicable Table 910-1 standards.
7. Any circumstance arising from force majeure will not be considered a violation of the Approved Site Investigation and Remediation Plan or this Order. For this purpose, force majeure means an act of God, act of war or terrorism, fire, flood, storm, or unforeseeable event which: (i) is not reasonably within the control of Hunter Ridge, (ii) cannot be overcome by due diligence, and (iii) prevents safe access to the remediation site or otherwise materially disrupts implementation of the required remedial actions. In the event Hunter Ridge claims a force majeure circumstance has occurred, Hunter Ridge will notify COGCC in writing within 48 hours of such circumstance and provide details of the effects to the Approved Site Investigation and Remediation Plan in a timely manner. Hunter Ridge will implement appropriate actions to remedy any damage to remediation system components and prevent further environmental impacts in a timely manner.
8. If Hunter Ridge fails to fully comply with the Approved Site Investigation and Remediation Plan, the COGCC Staff will notify Hunter Ridge of the noncompliance. If Hunter Ridge initiates compliance within 30 days after receiving such notice and diligently pursues and achieves compliance as soon as practicable thereafter, the COGCC Staff will not seek to penalize Hunter Ridge for the short-term temporary noncompliance.
9. Hunter Ridge will have the right to a hearing under Rule 503.b.(10) on any dispute arising under the Order or relating to the Approved Site Investigation and Remediation Plan.
10. Notwithstanding any transfer of ownership of the Pipeline or associated facilities, Hunter Ridge will remain responsible for compliance with this Order.
11. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.
12. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above Order.

ENTERED this 14 day of September, 2017, as of the 11th day of September, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

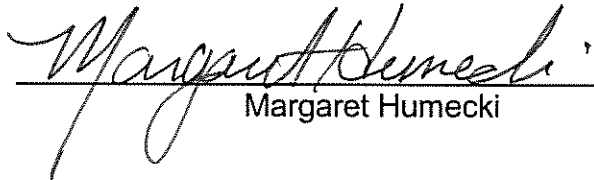
By


James P. Rouse, Acting Secretary

CERTIFICATE OF MAILING

On September 15th, 2017, a true and accurate copy of Order 1V-641 was mailed by first-class mail, return receipt requested to the following:

Hunter Ridge Energy Services LLC
Attn: Allison Woolston
370 17th Street, Suite 1700
Denver, CO 80202-5632



Margaret Humecki

EXHIBIT 1



COLORADO

**Department of Public
Health & Environment**

Dedicated to protecting and improving the health and environment of the people of Colorado

Colorado Oil and Gas Conservation Commission
Attn: Director Lepore
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

September 6, 2017

**RE: Penalty Assessment outlined in AOC Number 1V-641 between COGCC and
Hunter Ridge Energy Services LLC ("Hunter Ridge")**

This matter having come to my attention as the Designee of the Executive Director of the Colorado Department of Public Health and Environment, based on the application of the Division's Civil Penalty Policy (May 1, 1993) to the facts outlined in AOC Number 1V-641 between COGCC and Hunter Ridge Energy Services LLC ("Hunter Ridge"), and consistent with Departmental policies for violations of the Water Quality Control Act, I hereby recommend that COGCC assess a civil penalty against Hunter Ridge in the amount of \$222,500.00. Consistent with Section 9.07 of the Memorandum of Agreement between the COGCC and the Water Quality Control Division ("WQCD"), adopted on February 15, 2000, WQCD agrees that it will not pursue any additional penalty for the release and associated actions described in AOC Number 1V-641.

A handwritten signature in black ink, appearing to read "Patrick J. Pfaltzgraff".

Patrick J. Pfaltzgraff, Director
Water Quality Control Division

